



DEPARTMENT OF
COMMERCE
COMMUNITY AND
ECONOMIC DEVELOPMENT

Regulatory Commission of Alaska

Sean Parnell, Governor
Emil Notti, Commissioner
Robert M. Pickett, Chairman

April 2, 2010

In reply refer to: Finance Section
File: PC39-1009
LO#: L1000109

Maricel Yap
Accounting Assitant II
Unalaska, City of
P.O. Box 610
Unalaska, AK 99685-0610

Dear Ms. Yap:

On April 1, 2010, the Commission approved updated **Permanent** PCE levels in cents per kilowatt-hour (¢/kWh) for Unalaska, City of (UNALASKA), for the listed classes of customers as follows:

Residential	13.20¢
Small General	13.20¢
Large General	13.20¢
Industrial	12.03¢

The revised PCE levels are due to Commission approval of UNALASKA's Annual Update submitted on October 29, 2009. The new PCE levels are effective for billings rendered after April 1, 2010. For your reference, copies of the Commission Staff's recommendations and schedules are attached as an Appendix.

The Commission reminds UNALASKA of its continued obligation under the PCE legislation to provide its customers with the notice specified in AS 42.45.120 or similar notice approved by the Alaska Energy Authority.

The Commission also reminds UNALASKA of its obligation under 3 AAC 52.620 and 3 AAC 52.640 to notify the Commission of any change in its rates, surcharges, and/or efficiency of operation and advises UNALASKA that failure to comply with those requirements could jeopardize its continued participation in the program.


If UNALASKA believes that the calculation used to establish the PCE level in this Letter Order is incorrect, it should seek reconsideration setting forth why it believes the calculation is in error. Any reconsideration request must be submitted within 15 days of the date of this Letter Order.

If you have any questions regarding the calculation of PCE levels, please contact Utility Financial Analyst Kevin AufDerHeide at (907) 276-6222.

BY DIRECTION OF THE COMMISSION

Sincerely,

REGULATORY COMMISSION OF ALASKA


for Robert M. Pickett
Chairman

cc: Jeffery Williams, Alaska Energy Authority

STATE OF ALASKA

**DEPARTMENT OF COMMERCE,
COMMUNITY & ECONOMIC DEVELOPMENT
REGULATORY COMMISSION OF ALASKA**

SEAN PARNELL, GOVERNOR

701 WEST EIGHT AVENUE, SUITE 300
ANCHORAGE, ALASKA 99501-3469
PHONE: (907) 276-6222
FAX: (907) 276-0160
TTY: (907) 276-4533
WEBSITE: <http://rca.alaska.gov>

DATE: April 2, 2010

INVOICE#: 39-1009

DATE DUE: May 2, 2010

Maricel Yap
Accounting Assitant II
Unalaska, City of
P.O. Box 610
Unalaska, AK 99685-0610

Fee for Commission Staff analysis and recommendations Re:

FILE #: PC39-1009

LO #: L1000109

Annual Update under the Power Cost Equalization Program

Amount Due : **\$ 471**

TOTAL AMOUNT DUE: **\$ 471**

MAKE CHECK PAYABLE TO: **STATE OF ALASKA**

PLEASE REMIT CHECK AND COPY OF THIS INVOICE TO:

**REGULATORY COMMISSION OF ALASKA
701 W. 8TH AVE., SUITE 300
ANCHORAGE, AK 99501-3469**

If you have any questions, please contact Joyce McGowan at (907) 263-2132 or
joyce.mcgowan@alaska.gov.

Unalaska, City of

FILE #: PC39-1009

Amount Due: \$ 471

LO #: L1000109

Check Number _____

Please tear along dotted line and submit payment with bottom portion. Thank you.

UNREGULATED UTILITY POWER COST EQUALIZATION MEMORANDUM

Date: April 1, 2010

Date Due: October 31, 2009

File No.: PC39-1009

Date Filed: October 29, 2009

Name of Utility: Unalaska, City of

Cert. No. 106

- | | |
|--|--|
| <input checked="" type="checkbox"/> Annual Update
<input type="checkbox"/> Fuel Price Change
<input type="checkbox"/> Base Rate Change
<input type="checkbox"/> Other _____ | <input type="checkbox"/> COPA Review
<input type="checkbox"/> Non-Fuel Cost Change
<input type="checkbox"/> KWh Sales Change |
|--|--|

STAFF RECOMMENDATIONS: Approval of updated **Permanent** PCE levels (see attached memo)

PCE LEVEL SUMMARY	Previously Approved	Staff Recommended
	<u>Date Approved:</u> March 18, 2010	
PCE LEVELS (In Cents/kWh)		
Residential	12.26¢	13.20¢
Small General	12.26¢	13.20¢
Large General	12.26¢	13.20¢
Industrial	12.03¢	12.03¢

Signed: Kevin AufDerHeide

Kevin AufDerHeide

Utility Financial Analyst

Commission decision re. this recommendation:

	Date (if different from 4/1/2010)	I Concur	I Do Not Concur	I Will Write A Dissenting Statement *
Pickett	_____	<u><i>emp</i></u>	_____	_____
Giard	_____	<u><i>G</i></u>	_____	_____
Lisankie	_____	<u><i>[Signature]</i></u>	_____	_____
Patch	_____	_____	_____	_____
Wilson	_____	_____	_____	_____

Special Instructions to Staff:

* If this column is initialed, Staff will contact the Commissioner for the statement; otherwise, dissent will simply be noted at the close of the By Direction Letter or Order.

Memorandum

TO: Robert Pickett, Chair
Kate Giard
Paul Lisankie
T.W. Patch
Janis Wilson

DATE: April 1, 2010

FROM: Kevin AufDerHeide
Utility Financial Analyst

RE: Unalaska, City of
(UNALASKA) PC39-1009

Recommendations

1. The updated PCE levels should be effective for billings rendered after April 1, 2010.
2. Approval should be: ☒ Permanent ☐ Interim
3. Standard reminder language for notice specifications, and efficiency and fuel cost update should be included in the By Direction Letter to the utility.

Background

Unalaska, City of (UNALASKA) filed its annual update of eligible power costs on October 29, 2009 for the test year ending June 30, 2009 (FY09). Staff's contact for this filing was Ms. Maricel Yap, Senior Accountant Assistant II. Staff reviewed the following support for reported costs provided by UNALASKA:

- Internally created trial balance
- Account Detail History
- Account Summary Trial Balance
- Other prepared schedules and reports for PCE purposes
- Audited financial statements for the City of Unalaska, including those of the electric utility fund, with an unqualified audit opinion

Staff recommends acceptance of this filing with the following exceptions:

2 adjustments to non-fuel costs

Summary

After Staff's proposed adjustments, UNALASKA's total eligible costs per kilowatt-hour (kWh) have increased by 0.99 cents (¢) from 27.02¢ per kWh (prior approved) to 28.01¢ per kWh (FY09). The increase is due to higher fuel and purchased power costs per kWh. UNALASKA's fuel efficiency ratio increased from 13.34 kWh per gallon in the prior test period to 14.34 kWh per gallon. Line losses increased from 4.20% in the prior test period to 5.77%. Staff's detailed analysis of this filing follows:

Analysis

Non-Fuel Costs

Total reported non-fuel costs increased by \$737,613 from \$2,823,507 (prior approved) to \$3,561,120 (FY09). Staff reviewed UNALASKA's non-fuel costs by category noting the following:

Personnel Expenses increased \$237,338 from \$1,647,324 (prior approved) to \$1,884,662 (FY09). Staff considers the reported amount to be properly supported by the submitted documentation and recommends no adjustments.

Operating Expenses increased \$748,690 from \$307,995 (prior approved) to \$1,056,685 (FY09). Staff noted \$812 in the account "Food/Bev/Employee Appreciation" and \$1,041 in the account "Electricity". Past Commission practice has been to remove expense such as food, beverage, and employee appreciation because it is neither used nor useful in the generation of electricity. Staff believes it is appropriate to disallow costs for electric consumption because doing otherwise would allow the utility to collect PCE subsidy for costs that are already incorporated into the PCE calculations. Staff recommends **Adjustment #1 (Appendix 2)** to reduce Operating Expenses by \$1,853 from \$1,056,685 to \$1,054,831.

General & Administrative Expenses increased by \$12,376 from \$256,187 (prior approved) to \$268,563 (FY09). Staff noted \$1,349 in the account "Food/Bev/Employee Appreciation" and \$18,660 in the account "Electricity". Past Commission practice has been to remove expense such as food, beverage, and employee appreciation because it is neither used nor useful in the generation of electricity. Staff believes it is appropriate to disallow costs for electric consumption because doing otherwise would allow the utility to collect PCE subsidy for costs that are already incorporated into the PCE calculations. Staff recommends **Adjustment #2 (Appendix 2)** to reduce General & Administrative Expenses by \$20,009 from \$268,563 to \$248,554.

Depreciation Expense decreased by \$252,175 from \$578,384 (prior approved) to \$326,209 (FY09). Staff considers the reported amount to be properly supported by the submitted documentation and recommends no adjustments.

Interest Expense decreased by \$8,616 from \$10,610 (prior approved) to \$1,994 (FY09). Staff considers the reported amount to be properly supported by the submitted documentation and recommends no adjustments.

Taxes - Payment in Lieu of Taxes (PILOT) reported as \$23,008, which was unchanged from the prior test period. Staff considers the reported amount to be properly supported by the submitted documentation and recommends no adjustments.

Fuel Costs

UNALASKA submitted its most recent fuel cost update on March 1, 2010. This notification reflected a new fuel price per gallon of \$2.21650. Staff has included this data in its calculation of the total cost of fuel on **Appendix 2**.

CITY OF UNALASKA

POWER COST EQUALIZATION CALCULATION
BASED ON TEST YEAR ENDING JUNE 30, 2009
Annual Update

		PC39-1003FFF	PC39-1009	
		Prior Commission Approval	Utility Request	Staff Recommended
A.	Total KWH Generated	28,508,340	31,457,025	31,457,025
B.	Total KWH Sold (Appendix 2)	27,309,793	34,474,703	34,474,703
C.	Total Non-Fuel Costs (Appendix 2)	2,823,507	3,561,120	3,539,258
D.	Non-Fuel Cost/KWH (C / B)	\$0.1034	\$0.1033	\$0.1027
E.	Total Fuel and Purchased Power Costs	4,556,195	6,118,145	6,118,145
F.	Fuel and Purchased Power Costs/KWH	\$0.1668	\$0.1775	\$0.1775
G.	Eligible Costs/KWH (D + F)	\$0.2702	\$0.2808	\$0.2801
H.	Eligible Cost/KWH (G) less base rate in effect	\$0.1290	\$0.1396	\$0.1389
I.	Lesser of (H) or 85.88 cents/kWh	\$0.1290	\$0.1396	\$0.1389
J.	Average Class Rates (Appendix 3)			
	Residential	\$0.2104	\$0.2104	\$0.2104
	Small General	\$0.1819	\$0.1819	\$0.1819
	Large General	\$0.1504	\$0.1504	\$0.1504
	Industrial	\$0.1203	\$0.1203	\$0.1203
		Class Power Cost Equalization Per kWh Payable		
K.	Lesser of: (I) x 95%, or (J)			
	Residential	\$0.1226	\$0.1326	\$0.1320
	Small General	\$0.1226	\$0.1326	\$0.1320
	Large General	\$0.1226	\$0.1326	\$0.1320
	Industrial	\$0.1203	\$0.1203	\$0.1203
L.	Funding Level in Effect	100%	100%	100%
	Residential	\$0.1226	\$0.1326	\$0.1320
	Small General	\$0.1226	\$0.1326	\$0.1320
	Large General	\$0.1226	\$0.1326	\$0.1320
	Industrial	\$0.1203	\$0.1203	\$0.1203

CITY OF UNALASKA

SCHEDULE OF ELIGIBLE POWER COSTS, SALES AND EFFICIENCY
 BASED ON TEST YEAR ENDING JUNE 30, 2009
 Annual Update

		PC39-1003FFF		PC39-1009	
		Prior Commission Approval	Per Utility	Staff Adjustments	Per Staff
Non-Fuel Costs:					
A. Personnel Costs		1,647,324	1,884,662	0	1,884,662
B. Operating Expenses		307,995	1,056,685	ADJ # 1 (1,853)	1,054,831
C. General and Administrative		256,187	268,563	ADJ # 2 (20,009)	248,554
D. Depreciation & Amortization		578,384	326,209	0	326,209
E. Interest Expense		10,610	1,994	0	1,994
F. Other (Describe)		23,008	23,008	0	23,008
G. Total Non-Fuel Costs		2,823,507	3,561,120	(21,862)	3,539,258
Fuel Costs:					
H. Gallons Consumed for Electric Generation		2,046,771	2,193,619		2,193,619
I. Price of Fuel: (cts per gal.) Weighted Average		\$2.21650	\$ 2.21650		\$2.21650
J. Total Cost of Fuel		\$4,536,668	\$4,862,157		\$4,862,157
K. Total Cost of Purchased Power		\$19,527	\$1,255,988	\$0	\$1,255,988
L. TOTAL fuel cost & power purchase		\$4,556,195	\$6,118,145		\$6,118,145
M. KWH Sales		27,309,793	34,474,703		34,474,703
N. Efficiency	≥ 12.5	13.34	14.34		14.34
O. Line Loss & Station Service	≤ 12%	4.20%	5.77%		5.77%

CITY OF UNALASKA

Surcharge 0.021620

Calculation of Average Class Rate per kWh

Rate Schedule: Residential

(1) kWh by Block	(2) Rate (\$/kWh)	(3) Surcharge If Applicable (\$/kWh)	(4) Total (\$/kWh) (2+3)	(5) Total \$ (1x4)	(6) Avg. (\$/kWh) (5)/(1)	(7) Avg. Rate (\$/kWh) - \$.1412/kWh
500	0.330000	0.021620	0.351620	175.81	0.35162	0.2104
500				175.81	0.35162	0.2104
TOTAL (A)						(E)

Rate Schedule: Small General

(1) kWh by Block	(2) Rate (\$/kWh)	(3) Surcharge If Applicable (\$/kWh)	(4) Total (\$/kWh) (2+3)	(5) Total \$ (1x4)	(6) Avg. (\$/kWh) (5)/(1)	(7) Avg. Rate (\$/kWh) - \$.1412/kWh
500	0.301500	0.021620	0.323120	161.56	0.32312	0.1819
500				161.56	0.32312	0.1819
TOTAL (A)						(E)

Rate Schedule: Large General

(1) kWh by Block	(2) Rate (\$/kWh)	(3) Surcharge If Applicable (\$/kWh)	(4) Total (\$/kWh) (2+3)	(5) Total \$ (1x4)	(6) Avg. (\$/kWh) (5)/(1)	(7) Avg. Rate (\$/kWh) - \$.1412/kWh
500	0.270000	0.021620	0.291620	145.81	0.29162	0.1504
500				145.81	0.29162	0.1504
TOTAL (A)						(E)

Rate Schedule: Industrial

(1) kWh by Block	(2) Rate (\$/kWh)	(3) Surcharge If Applicable (\$/kWh)	(4) Total (\$/kWh) (2+3)	(5) Total \$ (1x4)	(6) Avg. (\$/kWh) (5)/(1)	(7) Avg. Rate (\$/kWh) - \$.1412/kWh
500	0.239900	0.021620	0.261520	130.76	0.26152	0.1203
500				130.76	0.26152	0.1203
TOTAL (A)						(E)

CITY OF UNALASKA

TREND ANALYSIS

For the Test Year Ended June 30, 2009

	2002 Amended Expenses	2003 Amended Expenses	2009 Utility Filing	2009 Variance		Staff Adjustments	2009 Amended Expenses
				\$	%		
Personnel Expenses							
Total Compensation	1,512,603	1,647,324	1,713,126	65,802	3.99%	0	1,713,126
Employer Portion of Payroll Taxes	0	0	94,764	94,764	100.00%	0	94,764
Workers Compensation	0	0	76,772	76,772	100.00%	0	76,772
TOTAL PERSONNEL COSTS	1,512,603	1,647,324	1,884,662	237,338	14.41%	0	1,884,662
Operating Expenses							
Generator Oil	271,503	214,526	258,685	44,159	20.58%	0	258,685
Generator Filters	0	0	0	0	0.00%	0	0
Generator Repairs/Maintenance	44,960	70,853	134,380	63,527	89.66%	0	134,380
Tools	3,293	3,561	0	(3,561)	(100.00%)	0	0
Equipment Rental	0	0	0	0	0.00%	0	0
Other	19,884	19,055	663,620	644,565	3382.66%	(1,853)	661,767
Total Operating Expenses	339,640	307,995	1,056,685	748,690	243.08%	(1,853)	1,054,831
General and Administrative							
Outside Professional Services	56,210	63,258	16,652	(46,606)	(73.68%)	0	16,652
Insurance	35,328	48,427	40,287	(8,140)	(16.81%)	0	40,287
Office Supplies	23,652	23,662	23,248	(414)	(1.75%)	0	23,248
Postage	3,759	3,341	2,685	(656)	(19.63%)	0	2,685
Office Rent	43,592	40,009	0	(40,009)	(100.00%)	0	0
Travel	12,453	18,979	4,811	(14,168)	(74.65%)	0	4,811
Training	0	0	0	0	0.00%	0	0
Bad Debt Expense	0	0	40,263	40,263	100.00%	0	40,263
RCA Fees	0	0	0	0	0.00%	0	0
Other	31,008	58,511	140,618	82,107	140.33%	(20,009)	120,609
TOTAL G&A EXPENSES	206,002	256,187	268,563	12,376	4.83%	(20,009)	248,554
OTHER							
Depreciation	525,361	691,185	326,209	(364,977)	(52.80%)	0	326,209
Amortization of CIAC	(106,180)	(112,801)	0	112,801	(100.00%)	0	0
Total Dep. & Amort.	511,787	578,384	326,209	(252,176)	(43.60%)	0	326,209
P.I.L.O.T.	23,008	23,008	23,008	(0)	(0.00%)	0	23,008
Interest	15,007	10,610	1,994	(8,616)	(81.21%)	0	1,994
TOTAL OTHER	549,802	612,002	351,211	(260,792)	(42.61%)	0	351,211
TOTAL NON-FUEL COSTS	2,608,047	2,823,508	3,561,120	737,612	26.12%	(21,862)	3,539,258
Total KWH Sales	26,837,672	27,309,793	34,474,703	7,164,910	26.24%	0	34,474,703